031624
92 15 0020
TOTAL NUMBER OF PAGES IN THIS REPORT IS 12
THE EXHIBIT INDEX APPEARS ON PAGE 12

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Q 30579

RECD BTO
MAY 14 1992
7

FORM 10-Q

(Mark One)

[X] Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1992

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 0-19340

PROCESSED BY
12-11-V
MAY 15 1992
DISCLOSURE
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

GMIS Inc.

Exact name of Registrant as specified in its charter

Delaware
(State or other jurisdiction of incorporation)

23-2211001
(I.R.S. Employer Identification No.)

L 3Q

5 Country View Road
Malvern, PA 19355
(Address of principal executive offices)

(215) 296-3838
(Registrant's telephone number)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

BEST COPY AVAILABLE

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 1992
Common Stock, $.01 par value	4,109,578 shares

GMIS INC.

FORM 10-Q

MARCH 31, 1992

CONTENTS

		Page No.
PART I.	CONSOLIDATED FINANCIAL INFORMATION (Unaudited)	
	Consolidated Balance Sheets - March 31, 1992 and December 31, 1991	2
	Consolidated Statements of Operations - Three Months Ended March 31, 1992 and 1991	3
	Consolidated Statements of Cash Flows - Three Months Ended March 31, 1992 and 1991	4
	Consolidated Notes to Financial Statements	5
	Management's Discussion and Analysis of Financial Condition and Results of Operations	6-7
PART II.	OTHER INFORMATION	8

GMIS Inc.
Consolidated Balance Sheets

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$4,151,037	$8,354,508
Short-term investment, at cost	8,155,776	3,653,206
Trade accounts receivable	3,306,978	1,888,310
Interest receivable	190,543	107,753
Prepaid expenses	110,144	98,353
Note receivable	20,000	27,000
TOTAL CURRENT ASSETS	15,934,478	14,129,130
INVESTMENTS, at cost	3,284,468	3,277,859
PROPERTY AND EQUIPMENT, at cost		
Furniture and fixtures	486,224	471,432
Computer equipment and software	710,705	636,051
Leasehold improvements	40,800	40,800
	1,237,729	1,148,283
Accumulated depreciation and amortization	(332,953)	(264,490)
	904,776	883,793
CAPITALIZED SOFTWARE COSTS, less amortization: March 31, 1992 – $1,606,198 and December 31, 1991 – $1,419,523	4,742,742	4,370,240
TOTAL ASSETS	$24,866,464	$22,661,022
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$922,801	$938,956
Accrued compensation	340,885	523,799
Accrued expenses	223,211	203,679
Accrued support reserve	576,902	558,902
Deferred income taxes	119,000	79,000
Deferred revenue	2,775,289	653,988
TOTAL CURRENT LIABILITIES	4,958,088	2,958,324
OTHER LIABILITIES		
Deferred income taxes	46,000	46,000
Other, principally a long-term payable	524,788	532,676
TOTAL LIABILITIES	5,528,876	3,537,000
STOCKHOLDERS' EQUITY		
Common Stock, $.01 par value, 15,000,000 shares authorized; issued and outstanding: March 31, 1992 – 4,109,578 shares; December 31, 1991 – 4,104,424 shares	41,096	41,044
Additional paid-in capital	19,957,272	19,904,608
Notes receivable for Common Stock	0	(111,000)
Retained earnings	(660,780)	(710,630)
TOTAL STOCKHOLDERS' EQUITY	19,337,588	19,124,022
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$24,866,464	$22,661,022

See notes to consolidated financial statements.

GMIS Inc.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
REVENUE:		
Operating revenue	$3,191,876	$1,717,863
Interest	174,389	42,541
Total revenue	3,366,265	1,760,404
EXPENSES:		
Cost of revenue	479,629	270,074
Marketing and sales	728,044	442,325
Research and development	638,744	534,488
General and administrative	893,998	249,755
Interest	0	18,974
Total expenses	2,740,415	1,515,616
INCOME BEFORE INCOME TAXES AND AND EXTRAORDINARY ITEM	625,850	244,788
Provision for income taxes	240,000	95,000
INCOME BEFORE EXTRAORDINARY ITEM	385,850	149,788
Extraordinary credit: Reduction of income tax charge from carryforward of prior-year operating losses	200,000	95,000
NET INCOME	$585,850	$244,788
Income per common share:		
Income before extraordinary item	$0.09	$0.05
Extraordinary credit	0.04	0.03
Net income	$0.13	$0.08
Weighted average shares outstanding	4,513,003	3,129,533

See notes to consolidated financial statements.

GMIS Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
OPERATING ACTIVITIES:		
Net income	$585,850	$244,788
Adjustments to reconcile net income to net cash provided by operating activities:		
Compensation expense	0	4,593
Deferred income taxes	40,000	0
Depreciation and amortization	255,138	169,986
Amortization of investment discounts	(6,609)	0
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,418,668)	(391,910)
Prepaid expenses	(11,791)	(9,952)
Interest receivable	(82,790)	(12,798)
Other current assets	0	(29,895)
Accounts payable and accrued expenses	3,377	(19,728)
Accrued support reserve	18,000	7,000
Accrued compensation	(182,914)	(24,125)
Deferred revenue	2,121,301	745,410
Other liabilities	(7,888)	(5,955)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,313,006	677,414
INVESTING ACTIVITIES:		
Expenditures for property and equipment	(89,446)	(53,296)
Computer software development costs	(559,177)	(380,390)
Purchase of investments	(4,502,570)	0
Proceeds from notes receivable	118,000	750
NET CASH USED IN INVESTING ACTIVITIES	(5,033,193)	(432,936)
FINANCING ACTIVITIES:		
Advance from line of credit	0	500,000
Payments on capital leases	0	(10,380)
Proceeds from sale of stock	0	28,510
Cash distribution	(536,000)	(53,000)
Proceeds from exercise of options	11,800	0
Proceeds from exercise of warrants	0	311,262
Net proceeds from initial public offering	40,916	0
NET CASH USED IN/PROVIDED BY FINANCING ACTIVITIES	(483,284)	776,392
DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS	(4,203,471)	1,020,870
Cash and cash equivalents at beginning of period	8,354,508	1,305,879
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$4,151,037	$2,326,749

See notes to consolidated financial statments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 1992

Note 1: Basis of Presentation

The financial information presented as of any date other than December 31 has been prepared from the books and records without audit. Financial information as of December 31 has been derived from the audited financial statements of the Company, but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information for the periods indicated have been included. For further information regarding the Company's accounting policies, refer to the Supplemental Consolidated Financial Statements and related notes which were included in the Company's Current Report on Form 8-K dated February 28, 1992, as amended, and filed with the Securities and Exchange Commission.

Note 2: Merger

On February 13, 1992, the Company completed its merger with Medical Intelligence, Inc., issuing 262,664 shares of its common stock for all of the outstanding shares of Medical Intelligence, Inc. (MII). The merger has been accounted for as a pooling of interests and, accordingly, the accompanying consolidated financial statements for the periods presented have been restated to include operating results and accounts of MII.

Operating results of the separate companies for the period were:

	Three Months Ended March 31, 1992	1991
Total Revenues:		
GMIS Inc.	$2,761,877	$1,555,678
Medical Intelligence, Inc.	604,388	204,726
	$3,366,265	$1,760,404
Net Income:		
GMIS Inc.	$ 226,874	$ 245,380
Medical Intelligence, Inc.	358,976	(592)
	$ 585,850	$ 244,788

Note 3: Earnings Per Share

Income per share is based on the weighted average number of common shares and dilutive common equivalent shares outstanding during the interim period. Dilutive common equivalent shares consist of shares from the conversion of previously outstanding convertible Preferred Stock, the dilutive effect of outstanding options and certain transactions related to the initial public offering of the Company's stock.

Operating Revenue

The Company derives substantially all of its revenue from three products, Autocoder, ClaimCheck and Medical Appropriateness System (MAPS). Its products are licensed primarily pursuant to multi-year agreements which, in general, provide for payment of equal annual license fees over their terms. The initial license fee payment is recognized at the time of new product delivery and subsequent annual fees on the anniversary contract date. Revenue from product development contracts and other services is recognized as the work is performed.

Operating revenue for the first quarter of 1992 increased 86% to $3,192,000 from $1,718,000 in the corresponding quarter of the prior year. The 1992 results reflect increased market penetration of ClaimCheck and the recognition of revenue for several new MAPS license and service agreements. ClaimCheck's sales were also enhanced by sales of the diagnostic module which was introduced in August of 1991.

Expenses

Cost of revenue for the first quarter of 1992 increased by 78% to $480,000 from $270,000 for the same quarter in 1991. Increased costs can be attributed to a larger base of capitalized software being amortized and to greater customer support costs with new product installations. Cost of revenue represents 15% and 16% of operating revenue for the first quarter of 1992 and 1991, respectively.

Marketing and sales expense was 23% of operating revenue for the first quarter of 1992 or $728,000 compared to 26% of operating revenue for the same quarter in 1991 or $442,000. This represents an increase of 65% which primarily resulted from sales force expansion and greater commission expense.

Research and development expenditures, net of software capitalization, increased $282,000 or 31% in the first quarter of 1992 as compared to the same quarter in 1991 due to increased personnel and related costs to support the Company's new and existing product development. Capitalized software costs increased by $178,000 or 47%. Research and development costs represent 20% and 31% of operating revenue for the first quarter of 1992 and 1991, respectively.

General and administrative costs rose to $894,000 or 28% of operating revenue in the first quarter of 1992 compared to $250,000 or 15% of operating revenue for the first quarter of 1991. The increase as a percent of operating revenue for 1992 can be attributed to one time costs incurred in connection with the MII acquisition and to additional costs associated with being a public company.

Other Income (Expense)

Interest expense for the first quarter of 1991 of $19,000 resulted from capital leases executed in the fourth quarter of 1990 to finance office furniture and computer equipment purchases. These leases were paid off in August, 1991.

Interest income was $174,000 in the first quarter of 1992 compared to $43,000 for the first quarter of 1991. The rise in interest income resulted from investment of the net proceeds from the Company's initial public offering.

Income Taxes

Net operating loss carryforwards were utilized to offset income tax expense for federal tax purposes. The benefit of this reduction has been shown as an extraordinary credit in the Company's statements of operations. A deferred state tax provision was recorded as there were no available net operating loss carryforwards to offset the deferred tax expense. The effective tax rates were 38% and 39% for the first quarter of 1992 and 1991, respectively.

Net Income

Net income for the first quarter of 1992 was $586,000 compared to net income of $245,000 for the corresponding quarter in 1991. The Company's operating margin improved to 18% in the first quarter 1992 from 15% in the same quarter in 1991.

Liquidity and Capital Resources

At March 31, 1992, the Company had approximately $11,000,000 in working capital.

The Company's initial public offering in July of 1991 provided $11,959,000 of net proceeds which has primarily been invested in marketable securities. The Company plans to expand its business by accelerating new and existing product development efforts. The merger with Medical Intelligence, Inc. is consistent with management's development goals. Although in the current quarter the Company's internally generated cash flow was sufficient to support operations, the proposed expansion will increase the Company's utilization of working capital. The Company expects to fund future working capital requirements from existing cash balances, funds available under the Company's credit line and cash to be generated from operations. The Company anticipates that these resources will be sufficient to fund operating and capital expenditure requirements for the foreseeable future.

GMIS INC.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders

For the Annual Meeting of the Company held on April 29, 1992, the written consent of the shareholders of the Company was solicited with respect to the following matters:

1. To re-elect Dr. Elmer R. Gabrieli and Mr. John F. Kenny as directors of the Company for terms of three years (expiring at the 1995 Annual Meeting) and until their respective successors are duly elected and qualified. The following persons are directors whose term of office as a director continued after the meeting:

   Walter Channing, Jr.
   Christopher F.O. Gabrieli
   Alan B. Miller
   Denis Newman
   Thomas R. Owens
   Carl Witonsky

2. To consider and act on a proposal to approve certain amendments to the Company's 1991 Stock Option Plan (the "1991 Stock Option Plan") as follows:

   A) to increase the number of shares of Common Stock with respect to which options may be granted from 160,000 to 410,000 shares.

   B) to increase the annual grants of options to non-employee directors of the Company from 750 to 5,000 shares and to provide an additional 5,000 shares to each non-employee director of the Company who is also a member of the Executive Committee of the Board of Directors.

   This proposal was approved by 2,445,949 affirmative votes to 1,000 negative votes.

3. To consider and act on a proposal to approve an amendment to the Company's 1991 Non-Qualified Employee Stock Purchase Plan, as amended (the "1991 Stock Purchase Plan").

A) to expand the class of eligible participants to include officers who are not directors of the Company.

This proposal was approved by 2,885,433 affirmative votes to 95,607 negative votes.

4. To approve the appointment of Ernst & Young as independent auditors of the Company to serve for the fiscal year ending December 31, 1992.

The proposal was approved by 3,080,583 affirmative votes to 1,100 negative votes.

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11 - Calculation of Earnings Per Share for the quarter March 31, 1992 and 1991.

(b) Reports on Form 8-K

On February 13, 1992, GMIS filed Form 8-K which reported that the Company entered into a merger agreement on February 13, 1992 to acquire all outstanding shares of Medical Intelligence, Inc. for 262,664 shares of GMIS Inc. common stock. This transaction was accounted for as a pooling-of-interests.

On April 1, 1992, GMIS Inc. filed with the Securities and Exchange Commission Amendment No. 1 to the Form 8-K on Form 8, which included the Supplemental Consolidated Financial Statements of the Company and the Financial Statement of Medical Intelligence, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GMIS INC.
by:

Jeffrey Stollo

Vice President, Finance and Administratio
Treasurer and Secretary
(Duly Authorized Officer and Principal
Financial Officer)

Date: May 13, 1992

Exhibit 11

GMIS Inc.
Calculation of Earnings Per Share

	Three Months Ended March 31,	
	1992	1991
EARNINGS PER SHARE:	(in thousands, except per share amounts)	
Weighted average number of common shares outstanding	4,107	1,031
Effect of assumed conversion of preferred shares	0	1,944
Employee stock purchase plan shares	0	27
Dilutive effect of outstanding options	355	77
Dilutive effect of outstanding warrants	51	0
Grants within one year of initial public offering	0	51
TOTAL	4,513	3,130
NET INCOME	$586	$245
PER SHARE AMOUNT	$0.13	$0.08